

**GOEVERNMENT OF ANDHRA PRADESH
ABSTRACT**

Industrial Promotion – Extension of certain incentives to M/s Al Qebla Al Watya Inc. (AK Group), Kuwait for their proposed Crude Petroleum Refinery at Petroleum, Chemicals and Petrochemical Investment Region (PCPIR) in Visakhapatnam District under Industrial Investment Promotion Policy (IIPP) 2010-2015, as a Mega Project - Orders- Issued.

INDUSTRIES & COMMERCE (INF) DEPARTMENT

G.O.Ms.No. 6

Dated:10-01-2012

Read the following:

1. From the Al Qebla Al Watya Inc.(Kharafi Group) Lr. dated 24.5.2011 addressed to Hon'ble Chief Minister.
2. The State Investment Promotion Committee (SIPC) Meeting held on 27-12-2011.
3. The State Investment Promotion Board (SIPB) Meeting held on 31-12-2011.
4. G.O.Ms.No.61 Industries & Commerce (IP) Department, dated.29.06.2010.

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O R D E R:-

M/s. Al Qebla Al Watya Inc. (an investment arm of Al Kharafi of Kuwait) in the reference 1st read above have informed as follows:

- (a) Kharafi Group is a private Kuwaiti based group with diverse interests and activities worldwide. Established as trading company more than 150 years ago it has since developed into a large multi – national conglomerate active in construction, manufacturing, investment and finance, communications, travel and hotels;
- (b) Following on from 1956 and with the advent of the construction boom in the Gulf, caused by the build-up of oil wealth in the region, Kharafi's construction companies quickly assumed a dominant role and expanded in response to the demands;
- (c) Within their construction activities they have general contracting companies such as MA Kharafi & Sons or Kharafi National which includes refinery refurbishment and companies for marine & piling, well drilling or their own ready-mix concrete producer. Supplementing them from their manufacturing activities companies that make and produce insulation panels, steel, fabrication, pre-fabricated products, cables and pipes for construction and the oil;
- (d) They can cope with virtually any type of civil engineering or construction project with experience of operating in more than 30 different countries alongside some of the world's foremost contractors and consultants. Having been awarded a number of important projects, the group has considerably increased its size and status as Grade 'A' International Contractor. These successful foreign ventures have led to the establishment of permanent branches in 34 countries in Kuwait, the Gulf States, Africa, The Caribbean, Asia and Eastern Europe;
- (e) Among their construction projects include those in the oil & gas sector:
 - (i) Construction of a new Submarine Ship Loading Line PNZ, 1997 for Saudi Arabian Texaco Inc., Kuwait;
 - (ii) Crude Oil Control Center & Related Manifolds, 1994 for Kuwait Oil Company;
 - (iii) Maqta/Al Ain Gas Pipeline Project, Abu Dhabi, 1993 for Abu Dhabi National Oil Company;

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- (iv) Strategic Gas Pipeline, 1990 for Kuwait Oil Company;
- (f) In the oil industry, the Kharafi family has activities in several aspects of the sector including the production of crude oil, refinery construction or refurbishment of various refinery equipment and VLCC transportation;
- (g) Manufacturing activities are very diverse including but not limited to float glass, brakes, bottles, pipes and vessels, Heinz ketchup, computer and components, smartcards, cables and paper; and
- (h) Apart from activities in construction manufacturing, there is telecommunication with Zain and Kharafi family hotels. And Americana the largest food company in the middle East investments that include Kuwait's leading financial institutions and other companies listed on the Kuwaiti's stock exchange. The Kharafi family is the founder and remains the larger shareholder of the National bank of Kuwait. The Kharafi family now operates in more than 34 countries around the world and has more than 150,000 employees and continuous to march ahead with firm commitments to development, growth and progress.

2. M/s. Al Qebla Al Watya Inc. represented that they have interested to establish a crude oil refinery in Andhra Pradesh with a capacity up to 4,00,000 bpd implemented in phases. Stage-1 refinery would be 100,000 bpd with a project cost of about US \$ 2 billion at Petroleum, Chemicals and Petrochemical Investment Region (PCPIR) in Visakhapatnam District and informed that the First Phase of the project will be implemented by 31.12.2014. The company has requested for the following benefits for their project:

- The project requires 1200 Acres of land from the Government of Andhra Pradesh ideally at P.C.P.I.R with proximity to a deep water port;
- Reimbursement of VAT paid on oil revenue till 2x of its 100% of capital expenditure is recovered – required to enable the project to complete with the very expensive cost of capital to implement a new refinery in today's financial climate;
- Support for environmental clearance from Ministry of Environment and Forests for refining and downstream petrochemical plant;
- 100% exemption of stamp duty & registration fees;
- Waiver of electricity duty for a period of 10 years from DCP.
- Consent for using Port facilities & ROW (rights of way) for laying pipelines;
- Exemption of the land conversion charges;
- Subsidy on power tariff as per Industrial Policy
- All statutory clearances through a single window; and
- Any further concessions that may be available under applicable industrial policies.

3. In the reference 2nd read above, State Investment Promotion Committee (SIPC) has discussed in detail and recommended to extend the following incentives as per Industrial Investment Promotion Policy 2010-2015 Policy;

- (i) 25% VAT / CST reimbursement in the first 5 years, 40% VAT / CST in the next 5 years and 45% VAT / CST thereafter limited to two times the investment made by the company whichever is earlier. The company would be eligible to VAT reimbursement only if the sale price of its products is same as the Index Price of Government of India. In case of disbanding of index price, market price as defined by the Commercial Tax Department should be taken into account; and
- (ii) All other incentives as per policy, i.e. Industrial Investment Promotion Policy 2010-2015.

4. In the reference 3rd read above, the State Investment Promotion Board (SIPB) in its meeting held on 31-12-2011 discussed the proposal in detail and decided to extend the following incentives:

- (i) 25% Net VAT / CST reimbursement in the first 5 years, 40% VAT / CST in the next 5 years and 45% VAT / CST thereafter limited to two times capital investment made by the company whichever is earlier. The company would be eligible to VAT reimbursement subject to following conditions:
 - (a) Minimum 50% of its products should be sold in the State; and
 - (b) The sale price of its products is same as the Index Price of Government of India. In case of disbanding of index price, market price as defined by the Commercial Tax Department should be taken into account.
- (ii) All other incentives as per policy i.e. Industrial Investment Promotion Policy 2010-15.

5. Government after careful examination of the proposal and keeping in view of the recommendations of the State Investment Promotion Board (SIPB), hereby extend the following incentives to Al Qebla Al Watya Inc. (an investment arm of Al Kharafi of Kuwait) under Industrial Investment Promotion Policy (IIPP) 2010-15, as a mega project.

- (i) 25% reimbursement of net VAT / CST in the first 5 years, 40% VAT / CST in the next 5 years and 45% VAT / CST thereafter limited to two times capital investment made by the company whichever is earlier. The company would be eligible to VAT reimbursement subject to following conditions:
 - (a) Minimum 50% of its products should be sold in the State; and
 - (b) The sale price of its products is same as the Index Price of Government of India. In case of disbanding of index price, market price as defined by the Commercial Tax Department should be taken into account.
- (ii) All other incentives as per policy (IIPP 2010-2015), which include:
 - (a) 100% reimbursement of Stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use;
 - (b) 100% reimbursement of Stamp duty on mortgages and hypothecations;
 - (c) Fixed power cost reimbursement @ Rs.0.75 per unit (upper ceiling) on the proposed revised rates (2010-11) for 5 years from the date of commencement of commercial production. In case, decrease in Power Tariff, the reimbursement will be reduced proportionately;
 - (d) 50% Reimbursement of cost involved in skill upgradation and training the local manpower limited to Rs.2000 per person;
 - (e) 25% subsidy on specific cleaner production measures limited to Rs.5.00 Lakhs; and
 - (f) Infrastructure like roads, power and water will be provided at door step of the industry for standalone units by contributing 50% of the cost of infrastructure from IIDF with a ceiling of Rs.1.00 Crore, subject to (a) the location should be beyond 10 kms from the existing Industrial Estates/IDA's having vacant land/shed for allotment and (b) cost of the infrastructure limited to 15% of the eligible fixed capital investment made in the industry.

6. The industry shall provide at least 80% of employment to the candidates belonging to Andhra Pradesh for becoming eligible to the above incentives.

7. The Commissioner of Industries, Andhra Pradesh, Hyderabad / Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation, Hyderabad are requested to take further necessary action accordingly and intimate the status of the progress of work done by the unit from time to time to Government.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

T.S. APPA RAO
PRINCIPAL SECRETARY TO GOVERNMENT AND
COMMISSIONER FOR INDUSTRIAL PROMOTION

To

The Commissioner of Industries, Andhra Pradesh, Hyderabad

The Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation (APIIC), Hyderabad

The Director Oil & Gas, former Deputy Chairman of Kuwait Oil Company , Al Qebla Al Watya Inc. (an investment arm of Al Kharafi of Kuwait), P.O.Box 1060, Al Sharq block 5, TNT Building, Ahmed Al Jaber Street, Kuwait City, 13011-Kuwait through the Commissioner of Industries, A.P. Hyderabad.

The District Collector, Visakhapatnam.

Copy to

The Accountant General, Andhra Pradesh, Hyderabad

The Finance (Exp. I&C) Department. / The Energy Department/ The Law Dept.

The Irrigation & CAD (Reforms) Dept. /The Revenue (CT) Department.

The Commissioner of Commercial Taxes, Hyderabad

The Chairman & Managing Director, APTRANSCO., Hyderabad

The Managing Director, APCPDC Ltd., Hyderabad

The GM, DIC, , Visakhapatnam through the Commissioner of Industries, A.P. Hyderabad.

P.S. to Secretary to Chief Minister./P.S. to Chief Secretary to Government.

P.S. to Minister(Major Industries)/ P.S. to Prl.Secy. to Govt. & CIP, Ind. & Com. Dept.

P.S. to Secretary to Govt. (Legal Affairs).

SC/SF

//Forwarded::By order//

SECTION OFFICER